

**THURSTON COUNTY, WASHINGTON**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Findings**

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1. Public Funds Were Misappropriated

Our audit of the financial records of the Thurston County Solid Waste Department revealed that at least \$4,038.26 in public funds was misappropriated by Mr. James Brown, cashier, during the period January 2, 1994, through February 11, 1994. There were no federal funds involved in this case.

During the course of our audit, management officials of Thurston County notified the Office of State Auditor of deposit irregularities in the solid waste department. The department's reconciliations of landfill and transfer station cash receipts with subsequent bank deposits revealed that three daily bank deposits were missing. As a result, we immediately commenced a special audit of cash receipts at the department. During our audit, we reviewed the work performed by the department and agree with their findings and conclusions. These funds were misappropriated as described below.

Mr. James Brown failed to make three bank deposits for landfill and transfer station cash receipts that were in his possession. The schedule below summarizes these losses:

<u>Date</u>	<u>Location</u>	<u>Amount</u>
January 2, 1994	Rochester Transfer Station	\$1,381.20
February 6, 1994	Summit Lake Transfer Station	135.87
February 11, 1994	Hawks Prairie Landfill	<u>2,521.19</u>
Total losses		<u>\$4,038.26</u>

The county scheduled a disciplinary hearing with Mr. James Brown on February 22, 1994. However, he did not attend this hearing and apparently fled the jurisdiction to avoid prosecution. He was subsequently terminated as an employee of the county.

RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district who:

- (1) Shall appropriate to his own use or the use of any person not entitled thereto, without authority of law, any money so received by him as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same,

shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

Thurston County's internal control policies and procedures for landfill receipting are very good. However, these internal controls were not consistently followed by the landfill supervisory staff.

The county is self-insured for any dishonest acts committed by its employees.

We recommend Thurston County seek recovery of the misappropriated funds and related audit/investigation costs from Mr. James Brown.

We further recommend the Washington State Office of the Attorney General and the Thurston County Prosecuting Attorney review the matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed in RCW 43.09.260.

We also recommend that landfill personnel follow the established internal control policies and procedures of the solid waste department.

2. Expenditures Should Be Limited To Appropriations

At year end 1993, the Pacific Mountain Job Training Center, a special revenue fund of Thurston County, had expenditures that exceeded budgeted appropriations by \$259,835.

These excess expenditures are contrary to the limitations set forth in RCW 36.40.100 which states in part:

The estimates of expenditures itemized and classified . . . and as finally fixed and adopted in detail by the board of commissioners shall constitute the appropriations for the county for the ensuing fiscal year; and every county official shall be limited in the making of expenditures or the incurring of liabilities to the amount of the detailed appropriation items or classes respectively . . . .

The excess expenditures appear to have occurred due to a lack of understanding of the applicable laws and regulations.

We recommend the county monitor expenditures and make timely budget amendments to prevent expenditures from exceeding appropriations.

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**Schedule Of Federal Findings**

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1. All Costs Claimed Must Be Supported By Adequate Documentation

During 1993, Thurston County received reimbursement from the Washington Department of Community Development (DCD) for the Inaugural Day Storm disaster clean-up project under the Federal Emergency Management Agency (FEMA) Assistance Program (CFDA 83.516). Reimbursement for this grant contained direct and indirect payroll charges which exceeded the underlying supporting documentation. Unsupported, and therefore, questioned costs are \$107,336.

The United States Office of Management and Budget's (OMB) Circular A-87, Attachment B, Section B.10.B., states in part:

b. Payroll and distribution of time. Amounts charged to grant programs for personal services regardless of whether treated as direct or indirect, will be based on payrolls documented and provided in accordance with generally accepted practices of the State, local or indian tribal government. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records . . . .

The discrepancy between the reimbursement requests and the underlying documentation appears to have occurred due to the lack of management oversight in the use of the proper project coding. County personnel failed to consistently use the project code assigned to the Inaugural Day Storm clean-up activity. The county based their actual reimbursement requests on estimates of the work performed generated by the county and FEMA engineers.

We recommend the county resolve the questioned costs with the Federal Emergency Management Agency.

We further recommend that the county use the internal controls and time tracking capabilities already established at Thurston County to track future project costs.